



## FIRST THINGS FIRST

*The right system for bright futures*

### Supporting Working Families and Ensuring the Health and Safety of Children During the Current Economic Crisis

The current national and local economic crisis has increased the number of families facing tremendous challenges in providing for the well-being of their young children. FTF proposes to take immediate action to address this economic crisis. This proposal contains the following components:

- support the immediate and urgent needs of young children
- preserve the long-term approach to improving the early childhood development and health system throughout the state and in local communities
- ensure local decision making
- use both discretionary and regional funding allocations

#### Recommendations:

FTF analyzed the impacts of the economic crisis, state budget cuts, federal stimulus bill and FTF regional funding plans in the areas of child care, professional development, health and family support to determine possible effects on children and families. The analysis resulted in the following recommendations:

1. Utilize \$65 million of regional funding from discretionary and formula allocations of FTF funding to implement strategies that can provide immediate supports for children and families.
2. Allow Regional Councils to reexamine the strategic directions of access and affordability and family support in their approved funding plans without additional Board approval. Within certain guidelines determined by FTF staff, strategies may be modified or funding targeted toward the three focus areas identified in this discussion.
3. Allow Regional Councils to redirect funding plan amounts approved for needs and assets, evaluation, communications and carry forward into strategies that address the three focus areas indentified in this discussion without additional Board approval.
4. Request a bid waiver from ADOA that allows Regional Councils to expedite the award process to more quickly provide programs and services for children and families in the three focus areas:
  - a. Stabilize working families - \$23.3 million of discretionary funding used to provide scholarships to working families with children 0-5 and incomes at 200% or below FPL.
    - 4-month strategy through end of FY 2009 until federal stimulus and FY 2010 budget addresses need
    - \$600/month provides basic licensed child care for one child
    - \$23.3 million provides 4-month scholarship for 9,708 children
    - Additional \$6.4 million in Regional Council access and affordability strategies could be used to support this goal if redirected by Regional Council
  - b. Prevent hunger in young children - \$500,000 of discretionary funding used to provide emergency food boxes for families with children 0-5.
    - Demand for emergency food boxes in Arizona has increased 40% in past year
    - \$500,000 provides 2 additional \$22 food boxes for 11,350 families for 4-month period through end of FY 2009 until receipt of federal stimulus
  - c. Support families to prevent abuse and neglect - \$26 million of regional funding is already approved to provide family support programs and services.
    - Existing strategies within family support may be redirected within certain guidelines
    - Strategies would be implemented through end of FY 2010
5. Continue to analyze the economic data related to health programs and services to identify for the Board additional health-related goals that provide immediate supports for children and families. FTF will continue to develop and expand our partnership with the healthcare system so that children are receiving the preventative healthcare they deserve to ensure appropriate development and early identification of any health concerns.

# Supporting Working Families and Ensuring The Health and Safety of Children during the Current Economic Crisis

## Background

Arizona is facing unprecedented, tumultuous economic times. Our state ranks third in the country for home foreclosures. Unemployment is hovering at close to seven percent, and thousands of Arizona families are struggling to make ends meet. Families are facing tremendous financial and emotional stress, threatening the well-being of young children.

First Things First was founded on the premise that it would build upon and fill gaps in an *existing* early childhood development and health infrastructure. Unfortunately, severe budget cuts to public and private programs statewide have eroded this infrastructure. The foundation of early childhood and development has literally been shaken and is crumbling. Many services to families and young children have either been severely diminished or eliminated completely.

The FTF Board has determined that as a growing and prominent agency, it must take immediate and proactive actions to shore up the foundation of early childhood and development of children 0-5. The FTF Board has expressed a desire to help mitigate some of the economic damage and turmoil and respond immediately to the urgent needs of Arizona's young children and families.

## First Things First's Response

To respond to the dire challenges being faced by families with young children, the statewide board has approved the following plan:

- Request approval from the ADOA for a bid waiver, granting authority to expedite the awarding of contracts quickly in certain areas through a non-competitive process.
- Direct \$23.8 million in discretionary dollars to two areas, using the expedited process described above:
  - \$23.3 million will be used to provide scholarships to working families with children ages 0-5 for early care and education for four months, until the federal stimulus money and FY 2010 state budget addresses needs. Scholarships will be administered through one administrative home statewide.
  - \$500,000 to provide emergency food boxes for families with infants and toddlers. Contracts would likely be awarded directly to food banks or related entities.
  - Requires regional councils to formally designate through a motion that they will participate in this plan for discretionary dollars.

- Allow regional councils “flexibility” to alter their funding plans to respond to immediate needs, using the expedited process described above.
  - Regional Councils can CHOOSE to change, enhance, or simply expedite strategies WITHIN the following goal areas, without board approval:
    - Access and Affordability
    - Family Support
  - Regional Councils can CHOOSE to add money to the goal areas listed above from the following areas:
    - Frontier adjustment
    - Carry forward
    - Needs and Assets
    - Evaluation
    - Communication (Up to 35 percent of the allocation may be shifted).
- Expedited procurement may also be allowed for selected health strategies, to be determined.

## Review and Analysis of Arizona State Budget Cuts, Federal Economic Stimulus and First Things First Program Funding

FTF Goal Area	FY09 State Cuts	FY09 State Reductions	Potential Stimulus - AZ	FTF State and Regional Investment	Analysis and Impact
Child Care	\$24,300,000 (excludes operating cuts including job reductions, furloughs and other costs which is included in JOBS, rehabilitation services and child care programs)	<p>*Decrease in eligibility from 165% FPL to 110% FPL means 15,000 children will lose child care subsidies.</p> <p>*Creation of a waiting list with 5,100 children.</p> <p>* Elimination of sibling discount with families paying the full co-pay for all children in care.</p> <p>*6,500 providers will suffer a 5% reduction in reimbursements for DES subsidized children taking the rate back to the 75<sup>th</sup> percentile of what was charged in 2000.</p> <p>Annualizing the \$24,300,000 cut is \$73,900,000. Combining the total cut for the balance of FY09 and FY 10 results in 98,200,000. Two-thirds of children covered by DES are under 5 years old so the cost of care for this group is \$64,000,000 from March 1, 2009 through the end of FY10.</p>	<p><b>\$50,876,886</b></p> <p>Child Care Development Block Grant (CCDBG)</p> <p>\$2,435,789 Infants and Toddlers; \$4,205,936 Quality Expansion. (These must be invested in these areas); no state match required. Funding in Federal FY 09 and 10.</p> <p><b>\$12,700,000</b></p> <p>Head Start and Early Head Start Expansion</p>	<p><b>\$7,223,826</b></p> <p>Access and Affordability (First Things First IS investing \$14,400,000 in quality improvements in child care; however, this financial support is in addition to basic operational costs covered by child care subsidies, parent fees, co-pays and other operational supports.)</p>	<p>Arizona State must replace the \$24,300,000 to Child Care in Order to receive the \$50,876,886 Per JBLC. But funding was reduced before federal law passed which precedes the federal stimulus so one could argue they don't have to replace the \$24 million before appropriating. <u>This is a legal question.</u></p> <p>The total stimulus funding will be available almost immediately (prior to 07/09) and can be used going back to 12/08). Since it is one-time funding, the Legislature made reference that it would not be prudent to add the money back in and restore child care since it is a temporary fix. However, the money can help people attain and maintain employment, pay taxes and spend money thereby contributing to an economic recovery rather than to the economic downturn. Working parents contribute to tax revenues needed to restart the economy.</p> <p><i>Without access to affordable, safe child care, parents may have to quit their jobs or make desperate choices between paying rent, buying food, or paying for child care. Without other options, families may turn to unregulated care or leaving young children in</i></p>

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			<p><b>\$5,702,860</b> IDEA Part B Preschool Grants</p> <p><b>\$185,100,000</b> State Fiscal Stabilization Fund – Flexible Block Grant (Use for child care is allowed and up to the discretion of the state)</p>		<p><i>unsafe situations such as in the care of slightly older siblings or even home alone. The vast majority of families receiving child care are single parents who face devastating consequences when they lose child care.</i></p> <p><i>Reducing reimbursement rates combined with sharp decreases in enrollment puts the 6,500 child care providers in an impossible economic position. The entire child care industry is in jeopardy of collapsing. When a center loses 10 to 11 children, 1 teacher or other staff member loses their job. With the DES cuts identified above, some 2,000 child care staff will lose their jobs further contributing to the economic downturn. Lost jobs translate to house foreclosures, decreased spending and lost future revenues to the state. Further, there is a real risk that there will be a significant reduction in the supply of child care through closures so that when the economy recovers there will not be adequate child care slots available for working parents.</i></p> <p><u>The State should use funds from the Flexible Block Grant to reinstate the \$24,300,000 in Child Care in order to draw down the CCDBG total of \$50,876,886.</u></p>

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Health Care	\$21,594,600	<p>AzEIP (Early Intervention Program) \$1,641,300            *Operating: travel, purchases            *State funding eliminated resulting in contracts for screening, early intervention services and technical assistance reduced by 36% for the remainder of the year. The result is a decrease in screening for developmental delays and 850 children will either experience a reduction or lose access to therapy and other services.            *Funding passed through to the Arizona State Schools for the Deaf and Blind will be reduced by 36%.</p> <p>Developmental Disabilities (DD) \$19,953,300            *Operating: staff reductions of 100 State employees and reductions in travel, purchases and furloughs. Results include caseloads that will exceed contract requirements resulting in the Division being unable to comply with timely case management, monitoring, medical, quality management and business deliverable requirements.            *Provider Rates: Reimbursement rates for 850 agency and 3,500 independent providers of home and community-based, institutional and acute services will be cut by 10%.            *Suspend all non-residential home and community based services to over 4,000 individuals who do not qualify for the AZ. Long Term Care System (AZALCS). Children birth through age 3 rarely qualify for AZLTCS so will lose services such as therapies, habilitation and other supports.</p>	<p><b>\$9,987,957</b>  <b>IDEA Part C for Infants and Toddlers</b></p> <p><b>UNKNOWN</b></p>	<p><b>\$7,100,000</b>  <b>Health Screening</b></p>	<p><i>AzEIP is closely tied with DDD (birth through three). Families currently eligible for DDD (see DD cuts below) without AZ Long Term Care System (ALTCS) may be referred back for AzEIP-only eligibility. AzEIP is currently struggling with capacity issues and is, therefore, ill-equipped to absorb an influx of children turned away from DDD.</i></p> <p><i>Timely service delivery will be a significant issue. Children and families will experience long delays if they receive any service at all. AzEIP is currently in a corrective action plan to come into compliance with the federal government requirements. Decreased funding in AzEIP and DD will exacerbate the problems in the program and negatively impact the compliance agreement which could result in a decrease in future funding.</i></p> <p><i>Contracts for screening, early intervention services and technical assistance will be reduced by 36% for the remainder of the year. This will result in a decrease in screening for developmental delays and 850 children will either experience a reduction or lose access to therapy and other services. In addition, funding passed through to the Arizona State Schools for the Deaf and Blind will be reduced by 36%. Contract providers are reducing their staff contributing to State unemployment rolls.</i></p> <p><i>Young children served through DDD will</i></p>

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	<p><b>\$12,766,400</b></p> <p><b>\$1,130,700</b> KidsCare and Parents Premium Increase</p>	<p>Medicaid Eligibility *Operating: reductions in staff of about 600 State employees resulting in higher caseloads, increased time determining eligibility and processing application, higher error rates and other problems that may lead to federal sanctions.</p> <p>No service numbers given</p>	<p><b>\$1,980,000,000</b> <b>Federal Medical Assistance Percentage (FMAP) or Medicaid (inclusive of Title IV-E foster care and adoption benefits of nearly \$19 million)</b></p>	<p><b>\$2,300,000</b> Health Insurance Outreach</p>	<p><i>experience service reductions and suspensions. An estimated 60% - or 2,400 young children birth through age 5 will be immediately impacted by these cuts.</i></p> <p>The impact of the FMAP on staffing levels is not known at this time, although, the FMAP is a short term measure children's health care needs continue and the stimulus assures that their coverage can continue through the end of 2010. Medical coverage gives families the peace of mind that their children will have access to health care.</p> <p><i>Historically, when premiums increase fewer families can afford to pay for insurance premiums. A similar increase in 2004 resulted in 1,155 fewer children having KidsCare coverage at any given time. Without coverage, more families turn to emergency rooms for non-emergent needs contributing to an increase in the cost of health care for all Arizonans. This trend has been confirmed in national studies. Even small increases in premiums have a disproportionate effect on low-income families since they also pay proportionately higher portions of their income on housing, transportation, food, child care and other costs.</i></p> <p>FTF funding for outreach will reach additional potentially eligible families however, higher premiums may discourage families from applying.</p>

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	<p><b>\$1,287,238</b> Newborn Intensive Care Follow-Up</p> <p><b>\$350,000</b> Newborn Screening</p> <p><b>\$2,405,048</b> Community Health Centers</p> <p><b>\$771,400</b> Children's Rehabilitative Services</p> <p><b>\$250,000</b> County Prenatal Services Grant</p> <p><b>\$531,108</b> Children's Behavioral Health Services</p>	<p><b>State-Only Programs:</b> High Risk Prenatal Serves *Hospital and transport services for high-risk infants, modify eligibility, and reduce home follow-up visits.</p> <p>Newborn Screening *Full blood screening panel at birth to identify genetic and other threats to the health of newborns</p> <p>Primary Care services *Suspend primary care services for 5,529 individuals. *Suspend CHC contracts.</p> <p>Children's Rehabilitation *Suspend Non-Title XIX Children's Rehabilitative Services for all 2,700 enrollees</p> <p>Prenatal Services *Suspend contracts with counties for prenatal services.</p> <p>Children's Behavioral Health *Reduce the level of children's behavioral health state-only funded services.</p>		<p>\$4,000,000 Child Care Health Consultation &amp; Child Care Mental Health Consultation</p> <p>\$2,419,000 Pre-Natal Support</p>	<p>All State Only Programs: The stimulus will offer no relief for the state-only programs that are reduced or eliminated and that serve non-Medicaid eligible children and their parents. These are programs that support the health and mental health of children without other coverage. (See column 2).</p> <p>Reduction in the home visiting follow-up for high risk infants means that decisions will have to be made regarding children most at risk, leaving behind other infants that benefit from home follow-up services</p> <p>Suspension of primary care services may also increase use of emergency rooms, disrupt care plans and follow-up care for children and adults.</p> <p>Reductions in county prenatal care will likely increase the number of women that deliver without benefit of prenatal care. Late or no prenatal care is associated with higher rates of low birth weight infants and poor birth outcomes</p> <p>Families that earn slightly higher incomes than allowed for KidsCare and Medicaid eligibility levels will lose this safety net for mental health services for their children.</p>



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	<p><b>\$500,000</b> Mental Health, Non-title 19</p> <p><b>\$1,500,000</b> Substance Abuse, Non-title 19</p>	<p>Mental Health</p> <p>Substance Abuse</p>			<p>Reductions to mental health services impact the children of parents that may require mental health or substance abuse treatment. FTF funding is not dedicated to this purpose.</p>
Family Support	<p><b>\$7,729,100</b> TANF</p> <p><b>\$39,722,300</b> Child Welfare</p>	<p>Cash Assistance *Cuts will affect 38,500 families in Arizona. Their monthly cash benefit will fall from an average of \$263 to \$210. The majority of these families are single mothers with children.</p> <p>* Tribal Pass Through - General Fund spending for Tribes with own TANF program is passed through and the Tribes use the funding to meet federal maintenance of effort requirements. Six Tribes will realize reductions ranging from \$5,000 to \$155,700.</p> <p>Child Welfare *Operating: Staff reductions, furloughs, overtime, travel, purchasing decreases resulting in high caseloads. Child abuse and neglect cases will not be investigated and all supervised visits will not occur in a timely manner. Some allegations of abuse and neglect will go uninvestigated. *Prevention services provided to families at risk of losing custody of their children and services to families with children in foster care aimed at reunification will be reduced. More than 4,000 families will see reductions or elimination of in-</p>	<p><b>\$23,900,000</b> <u>May be used for direct spending on child care</u></p> <p><b>\$23,093,962</b> Title IV-E Funding for Child Welfare and Adoption</p>	<p>\$706,000 Parent Kits</p>	<p>Although TANF funding can be used for child care assistance, the federal dollars should be used to restore the cash assistance grants to their original levels (which were set in 1992). <i>Decreases in income have devastating consequences on the health of young children. Families with reduced benefits who have children 3 years of age or younger have greater odds of being food insecure. Reductions are also associated with greater odds of being hospitalized since birth, and of requiring urgent hospitalization upon visits to the Emergency Department.</i></p> <p><i>The budget cuts to Child Welfare programs increase the likelihood that children in Arizona will be abused, neglected and possibly even killed. Prevention services help parents build the skills they need to contribute to the healthy development of their children. Without prevention services for high-risk families, more children will be abused and neglected and will end up in foster care which is much more costly to the state. Failing to provide services that help</i></p>

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		<p>home and supportive services. Of the 9,721 children in out-of-home foster care in March, 2008, 39% or 3,746 were children 5 years of age or younger.</p> <p>*Foster care rates will be cut by 20% from \$910 to \$728, affecting 4,500 children in family foster care. This cut will make it more difficult to recruit foster families. Other allowances and supports will be reduced or eliminated.</p> <p>*Substance abuse treatment for parents working toward reunification will be cut for 1,400 individuals.</p> <p>*Appropriated funding for Healthy Families prevention services for more than 3,500 high risk families across Arizona will be eliminated and contracts cut.</p>		<p>\$8,100,000 Home Visitation</p>	<p><i>families reunify is also more costly and can have untold long-term negative effects on the emotional and psychological health of children. Without needed services such as substance abuse or mental health treatment, children will languish in foster homes since parents have not been given opportunities to gain skills and capacity to resume the care of their children..</i></p> <p><i>With a likely influx of children into the system, reduced rates to foster parents will make it difficult to recruit nurturing foster parents and more children will be placed in group homes or end up homeless or in the juvenile justice system. Even prior to the rate reduction, retaining foster parents has been a challenge for the state. Over one-half of foster parents leave the child welfare system each year. And those that stay, report spending their own recourses to meet the needs of the children in their home (again, prior to the reduction)</i></p> <p>Healthy Families is an evidence-based program serving families with infants and toddlers at high risk. Through home visits, Healthy Families helps prevent child abuse, promotes child health and development and improvement in family functioning. The budget cut for Healthy Families will dismantle much of the infrastructure that exists for this vital program</p>

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	\$167,600	Emergency Food Assistance *Contracts with food banks.	\$1,927,000		<i>In Maricopa County, demand for emergency food boxes has increased 40% during the last quarter of 2008 from 2007. Demand is expected to remain flat or increase during the current quarter. With heightened need, the stimulus funds do not appear to provide sufficient relief to keep food banks from operating in the red.</i>
	680,000	Food Stamps and Health E-app Outreach	\$387,800,000		<p>The Supplemental Nutrition Assistance Program (SNAP) or Food Stamps has the potential to infuse a significant level of stimulus into Arizona communities. To draw down the \$387 million in Food Stamps, outreach is a necessary component as is the ability to process applications on-line.</p> <p><i>Food insecurity leads to under-nutrition which can have lasting effects on the brain development of children. Inadequate nutrition is also associated with educational failure among impoverished children.</i></p>

Note: Staff reductions in Arizona State Government, contract providers and other partners will contribute to Arizona’s rising unemployment rate and cause financial chaos to thousands of affected families. There will be a net loss of state revenue from payroll taxes, sales taxes and a net loss in the spending ability of former State and contract provider employees, thereby contributing to reductions in Arizona’s grocery, retail, restaurant, entertainment and other sectors. The ripple effect will have far-reaching implications that contribute to a negative economic spiral.